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Accounting, Business Methods, Investments, and
the Exchanges

Report upon the Price of Gas in Chicago. By EDWARD W. BEMIS.
(Chicago: Chicago Council Committee on Gas, Oil and Electric
Light. 1911. Pp. 31.)

This report is a criticism of an earlier investigation on the same subject made by William J. Hagenah for the Chicago Council Committee on Gas, Oil and Electric Light. It illustrates afresh the difficulties encountered in attempting to determine the amount on which a municipal service corporation is entitled to earn a fair rate of return—the central point in rate fixing. Agreement can usually be reached on the valuation of physical property. The allowances to be made for interest and taxes during construction, organization expense, contractor's profits, engineering and the like are at best matters of speculation where the cost of reproduction is the basis, and not book records. The task of arriving at figures for these items is, however, easy, compared to the problem of fixing "going value" or the cost of developing the business. Here calculations are based more or less on pure hypothesis. By the use of different starting points and different rates of interest in the calculation, the most diverse results may be obtained. In this instance the amount arrived at by Mr. Hagenah, some \$15,000,000, is equal to one fourth of the amount on which he would allow the company a return in determining the fairness of the rate for gas. By starting from another and seemingly plausible estimate of the value of the property at the organization of the present company, Mr. Bemis shows that there is no justification at all for any claim for going value—past revenue having more than paid for all legitimate costs of building up the business including a fair return on the property used in behalf of the public.

The method employed in Mr. Hagenah's calculation of going value has received sanction from the Wisconsin commission. It is evident, however, that it must be used with extreme care, else by manipulation of figures any rate could be justified.

H. G. FRIEDMAN.

NEW BOOKS

AUPETIT, A. and others. *Les grands marchés financiers. Conférences faites à l'Ecole des Sciences politiques.* (Paris: Alcan. 1912. Pp. 342. 3.50 fr.)

A preface by M. Raphael Georges-Lévy outlines the plan of the